

EXHIBIT 48

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23 SUPERIOR COURT OF THE STATE OF CALIFORNIA
24 COUNTY OF SANTA CRUZ

25 PEOPLE OF THE STATE OF CALIFORNIA AND)
26 THE DIRECTOR OF THE DEPARTMENT OF)
27 HEALTH SERVICES,)

28 Plaintiffs,)

vs.)

HERBALIFE INTERNATIONAL, INC., a)
California corporation, and MARK)
HUGHES, et al.)

Defendants)

FILED
Santa Cruz County

OCT 15 1986

RICHARD W. BEDAL Clerk
By Judy Dudley Deputy

No. 92767

FINAL JUDGMENT

AND

PERMANENT INJUNCTION

(K)

1 The People of the State of California and the Director
2 of the Department of Health Services, having filed their
3 complaint herein and defendants having been served with a
4 summons and a copy of the complaint filed herein; and defen-
5 dants Herbalife International, Inc. (herein Herbalife), a
6 California corporation, and Mark Hughes, an individual, having
7 filed their answer to the complaint; and plaintiffs appearing
8 through their attorneys John Van de Kamp, Attorney General,
9 Herschel T. Elkins and Charlton Holland, Assistant Attorneys
10 General; Albert Norman Sheldon and Peter G. DeMauro, Deputy
11 Attorneys General, by Albert Norman Sheldon and Peter G.
12 DeMauro, and Arthur Danner III, District Attorney of Santa
13 Cruz, Don Gartner, Assistant District Attorney, by Don Gartner;
14 and defendants Herbalife and Mark Hughes appearing through
15 their attorneys Law Offices of Conrad Lee Klein by Conrad Lee
16 Klein; and

17 It appearing that plaintiffs, the People of the State of
18 California and the Director of the Department of Health
19 Services, and defendants above named, personally and through
20 their attorneys, have stipulated and consented to the entry
21 of this final judgment and permanent injunction prior to the
22 taking of any proof and without trial or adjudication of any
23 fact or law herein and without this final judgment constituting
24 evidence or an admission by said defendants regarding any issue
25 or any fact alleged in said complaint, defendants having denied
26 the allegations in the complaint;

27 NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND
28 DECREED:

1 1. This court has jurisdiction in the State of
2 California over the subject matter hereof and the parties
3 hereto.

4 2. The provisions of this final judgment are applicable
5 to: (a) defendants, Herbalife, Mark Hughes, and each of them,
6 and their respective successors in interest, whether corporate
7 or otherwise, and (b) those officers, directors and employees
8 of said defendants and any other entities acting under, by or
9 on behalf of either such defendant or pursuant to their direc-
10 tion, who have notice of this injunction.

11 3. Pursuant to Business and Professions Code Sections
12 17203 and 17535, defendants are hereby permanently enjoined
13 and restrained from:

14 A. Using or causing to be used pages B-3 through B-10
15 of the Official Career Book which bears a copyright date of
16 1982.

17 B. Representing that defendants' products contain herbs:
18 (1) which in and of themselves naturally curb the appetite;
19 (2) which burn off calories; or, (3) which naturally cleanse
20 the system. Defendants, however, are not restrained from
21 representing that the herbs when used in the quantity recom-
22 mended by defendants assist the natural self-cleansing func-
23 tion of the body, if there is a reasonable basis therefor.

24 C. Representing that one who uses defendants' products
25 will lose weight without a reduction in the user's caloric
26 intake.

27 D. Representing that defendants' Formula #2 is helpful
28 for the conditions or organs enumerated in the complaint on

1 file at page 14, lines 8-27.

2 E. Representing that because of its iodine content, the
3 use of kelp in Formula #2 is valuable in a weight reduction
4 program.

5 F. Representing that the inclusion of lecithin in
6 Formula #2 will result in an inch loss from fatty areas.

7 G. Representing that the manner in which defendants
8 include cider vinegar in Formula #2 acts to help curb the
9 appetite.

10 H. Representing that because of the herbs and the
11 manner in which they are included in Herbalife's products,
12 the use of such products will cleanse the villi and help
13 prevent the clogging of the villi in the intestine. Defen-
14 dants however, are not restrained from representing that the
15 effect of the herbs as used in their product on the villious
16 portion of the digestive tract is to aid its nutrient absorp-
17 tion function, if there is a reasonable basis therefor.

18 I. Representing that the Herbalife Cell-U-Loss product:
19 (1) contains herbs which on their own naturally eliminate
20 "cellulite" or the appearance of "cellulite"; (2) has the
21 medicinal properties which are helpful for the conditions or
22 organs enumerated in the complaint herein at pages 15-16
23 lines 25-3; or (3) directs weight loss to particular portions
24 of the body. Defendants, however, are not restrained from
25 representing that Cell-U-Loss is a unique vitamin, mineral
26 and herb formula which assists elimination of excess fluids
27 and helps reduce the appearance of "cellulite", if there is a
28 reasonable basis therefor.

1 J. Representing that the Herbalife N.R.G product: (1)
2 naturally increases energy; (2) naturally provides a nutri-
3 tional lift; (3) has the medical action and uses enumerated
4 in the complaint herein at page 16, lines 19-24; (4) helps
5 to reduce hunger; or (5) that the product is a nutritional
6 factor in health. Defendants, however, are not restrained
7 from representing that N.R.G. provides a tremendous lift,
8 aids mental alertness and reduces feelings of fatigue, if
9 there is a reasonable basis therefor.

10 K. Failing to disclose in the career book and on the
11 label that one of guarana's components is caffeine.

12 L. Representing that the Herbalifeline product: (1)
13 dissipates the abnormal build-up of plaque in the arteries,
14 or (2) provides protection for the entire vascular system.
15 Defendants, however, are not restrained from representing that
16 Herbalifeline includes several nutritional factors important
17 for health, in a base of carefully selected herbs and supplies
18 a full-spectrum marine source lipid complex, which is parti-
19 cularly rich in Omega 3 fatty acids, which are considered by
20 various scientific experts to play a role in good cardiovas-
21 cular health, if there is a reasonable basis therefor.

22 M. Representing that the Herbalife Schizandra Plus
23 product helps to combat damage that can lead to premature aging.
24 Defendants, however, are not restrained from representing that
25 the nutrients in this product help combat premature damage to
26 cells from toxins in the environment, and aid cell integrity,
27 if there is reasonable basis therefor.

28 N. Representing that Tang Kuei relieves menstrual dis-

1 orders. Defendants, however, are not restrained from repre-
2 senting that Tang Kuei is an herbally based formula which
3 nutritionally helps with the normal discomforts associated
4 with the menstrual function, if there is a reasonable basis
5 therefor.

6 O. Representing that Flora Fiber restores flow in the
7 intestine and prevents disease. Defendants, however, are not
8 restrained from representing that Flora fiber helps recon-
9 stitute and maintain essential flora of the gastrointestinal
10 tract, provides fiber for a natural cleansing effect on the
11 intestinal tract and helps contribute to a proper diet, if
12 there is a reasonable basis therefor.

13 P. Representing that K-8 stops or affects psycho-neurotic
14 depression. Defendants, however, are not restrained from
15 representing that K-8 is an herbal formula with amino acids
16 which helps to naturally offset feelings of temporary stress
17 and moodiness, if there is a reasonable basis therefor.

18 Q. Making false or misleading representations with
19 respect to any specific goals for participants in defendants'
20 marketing program relating to the number of new customers or
21 new participants a participant may obtain within a specific
22 time period or an amount of money a participant may earn
23 through bonuses and overrides.

24 R. Representing that defendants' offer their products
25 with a "100% Satisfaction Guarantee (or your money back)" or
26 any other such refund offer unless: (1) defendants in a
27 clear and conspicuous manner disclose any limitations which
28 apply to the refund offer at the time the refund offer is

1 disclosed; and, (2) defendants continue to clearly inform
2 participants in their marketing program of such participants'
3 obligations vis-a-vis a purchaser who invokes the refund
4 offer, if participants in defendants' marketing program have
5 any such obligation.

6 S. Defendants shall not use any "live" testimonials
7 relating to the experience the individual giving the testi-
8 monial had with one or more of defendants' products unless
9 prior to the taking of any testimonials at live presentations,
10 defendants shall indicate, orally or in a separate or conspic-
11 uous writing, to those giving testimonials that: (1) testi-
12 monials cannot contain any untrue or misleading representa-
13 tions; (2) testimonials regarding any of defendants' weight
14 loss products or products for special dietary use may not
15 describe curative or preventive properties or experiences for
16 disease or illness. Provided, however, defendants may indi-
17 cate that an individual giving a testimonial may, if it is
18 true as to that individual, make reference to general feel-
19 ings of well-being as well as make reference to a product's
20 effect to the same extent that defendants' can refer to that
21 product's effect. If defendants have reason to believe that
22 a testimonial in contravention of the above has been given
23 they shall, no later than at the conclusion of the testimonial
24 portion of the presentation, disavow such testimonial to
25 those physically in the audience, and shall not thereafter
26 utilize such contravening testimonial in any manner. If
27 defendants have reason to believe that an individual either
28 gave a testimonial in violation of (1), above, or continues

1 to give testimonials in violation of (2), above, then defen-
2 dants shall not permit that person to again offer testi-
3 monials for defendants' product(s). The provisions of this
4 paragraph "S" shall not apply to any live training meetings
5 given only for and attended by distributors of Herbalife
6 products; provided, however, representations or claims for
7 defendants products not allowed to be made pursuant to this
8 judgment shall not be made at such meetings.
9

10 T. (1) Subject to the exceptions in Section 6, below,
11 engaging in the following described conduct: (a) Representing
12 or implying that any current product of defendants diagnoses,
13 cures, mitigates, treats or prevents disease if the product
14 is a "new drug" as defined in Health and Safety Code Section
15 26021 disease unless defendants have first complied with the
16 requirements of Health and Safety Code Section 26670 (a) or
17 (b) and having the representations made for any products
18 comply with the provisions of Health and Safety Code Sections
19 26660 and 26661, if those sections are applicable; (b) Offer-
20 ing for sale any drug unless it is safe and effective or any
21 food unless it is safe and defendants have a reasonable basis
22 for the claims made for such drug or food; (c) Representing
23 that defendants' Formula 2 is helpful for any physical disorder
24 or disease. The provisions set forth in subsection (a) of
25 Section T do not apply to Herbatan and APR because those
26 products, as of the date of this judgment, are not considered
27 new drugs by the plaintiffs so long as the products are in
28 compliance with over-the-counter monographs of the Food and
Drug Administration and advertising for such is in conformity

1 with the standards therein; but plaintiffs' right to enforce
2 applicable laws are not affected hereby.

3 (2) If plaintiffs claim that any conduct not con-
4 forming to the preceding paragraph has been engaged in, then
5 plaintiffs shall proceed against defendants therefor, if at
6 all, by taking action pursuant to Business and Professions
7 Code sections 17200 et seq. and 17500 et seq., or the appli-
8 cable Health and Safety Code sections, or any other statutory
9 provisions, but not by direct enforcement of this judgment,
10 as for example, by way of contempt.

11 (3) Nothing contained in this Section T shall be
12 deemed to be a limitation on any other provision, or the
13 method of enforcement of any other provision, of this judgment
14 nor the penalties, if any, which may be available under the
15 provisions of Sections 17207 and 17535.5 of the California
16 Business and Professions Code.

17 4. Whenever a "reasonable basis" for a representation
18 or claim is required pursuant to the terms of this judgment,
19 such basis does not exist if the defendants knew or in the
20 exercise of reasonable care should have known that the repre-
21 sentation or claim was untrue or misleading at the time it was
22 made.

23 5. A. Defendants shall not establish, maintain or
24 operate a marketing program in which:

25 (1) A participant pays a valuable consideration for the
26 chance in whole or in part, to receive, either directly or
27 indirectly, compensation, which is based on other than retail
28 sales for introducing one or more additional persons into

1 participation in defendants' marketing program or for the
2 chance to receive compensation, either directly or indirectly,
3 when the newly introduced participant introduces a new parti-
4 cipant into defendants' marketing program;

5 (2) Any compensation, however denominated (including
6 but not limited to "commissions," "overrides," "achievement
7 bonuses," or any term of similar import), defendants pay or
8 participants receive is based upon anything other than the
9 retail sale of defendants' products; and

10 (3) A participant can obtain any specific level in
11 defendants' marketing program based upon criteria other than
12 the amount of retail sales made by the participant or person(s)
13 introduced into defendants' marketing program by the partici-
14 pant.

15 B. Defendants shall be in compliance with this Section
16 5, as long as a verification or documentation system they
17 implement allows them, at any given point in time, to verify
18 or document to plaintiffs that any and all participants who
19 receive commissions, bonuses, overrides and/or advancement
20 from defendants in defendants marketing program, after entry
21 entry of this judgment, are based on retail sales made by
22 or through such participant(s) or others introduced directly
23 or indirectly under participant(s). Plaintiffs shall not
24 seek such verification or documentation prior to 90 days
25 after entry of this judgment, and defendants shall be in
26 compliance with this verification or documentation requirement
27 if their records are current and accurate to a point in time
28 which does not precede plaintiffs' request for verification

1 or documentation by more than 90 days. Plaintiffs' request
2 for verification or documentation of retail sales shall be
3 made to defendants counsel of record.

4 C. The term "retail sale" as used in this Section 5
5 means a sale of defendants' product(s) in any of the following
6 situations: (1) to persons who are not part of defendant's
7 marketing program or distribution system; or, (2) to persons
8 who are not buying to become part of defendants' marketing
9 program or distribution system; or, (3) to persons who,
10 although desirous of becoming or who are a part of defendants'
11 marketing plan or distribution system are buying for their
12 own personal or family use.

13 6. Notwithstanding anything to the contrary herein,
14 defendants shall not be in violation of this final judgment
15 and permanent injunction by advertising, offering or selling
16 products:

17 A. In compliance with Federal regulations relating to
18 foods for special dietary use as such regulations are adopted
19 by California Health and Safety Code Section 26208 or any suc-
20 cessor sections; provided however, advertisements or offers
21 which exceed the scope of such regulations or relate to
22 issues not covered by such regulations are to that extent,
23 subject to the provisions of Section 3.

24 B. In compliance with guidelines established and approved
25 by the Federal Food and Drug Administration in over-the-counter
26 monographs; or other Federal Food and Drug Administration
27 criteria, provided however, advertisements or offers which
28 exceed the scope of such guidelines or relate to issues not

1 covered by such guidelines are to that extent, subject to the
2 provisions of Section 3.

3 C. In compliance with California Health and Safety
4 Code Sections 26000 through 26851, commonly known as the
5 Sherman Food, Drug and Cosmetic Act.

6 D. Which are introduced after the date of this judgment
7 or which are current but which in a material manner have
8 been reformulated and for which there is a reasonable basis
9 to support any claims or representations made for such
10 products.

11 E. For which there is a newly acquired reasonable basis
12 to support any claims or representations made for such
13 products.

14 F. In manner now prohibited by law but which sub-
15 sequently becomes legally permissible.

16 7. Defendants shall not represent in advertising that
17 their marketing plan or product claims have been approved
18 by this court, the California Attorney General's office,
19 the California Department of Health Services, the Santa
20 Cruz County District Attorney's office or any other govern-
21 mental agency. Provided, however, defendants may represent,
22 after the entry of this judgment, that the action evidenced
23 by the complaint on file herein, has been settled and is no
24 longer pending and defendants in conformity with the provi-
25 sions hereof can legally continue to conduct business in
26 California.

27 8. A. Defendant, Herbalife, is hereby ordered to pay
28 to Plaintiff, State of California, the sum of \$850,000.00, as

1 and for reimbursement to plaintiffs for costs, attorneys
2 fees, expenses of investigation and other expenses and pur-
3 suant to Business and Professions Code Sections 17206 and
4 17536.

5 B. Payment is to be made at the office of the
6 Attorney General of the State of California, 110 West "A"
7 Street, Suite 700, San Diego, California 92101. Payment, if
8 made by check, is to be made to the order of the California
9 Attorney General. Payments shall be made according to the
10 following schedule:

| | | | |
|----|----------------------------|-------------|--------------|
| 11 | 1. Upon Filing of Judgment | \$75,000.00 | |
| 12 | 120 Days After Filing | 75,000.00 | |
| 13 | First Period | | \$150,000.00 |
| 14 | 2. December 15, 1987 | \$50,000.00 | |
| 15 | April 15, 1988 | 50,000.00 | |
| 16 | August 15, 1988 | 50,000.00 | |
| 17 | Second Period | | \$150,000.00 |
| 18 | 3. October 15, 1988 | \$35,000.00 | |
| 19 | December 15, 1988 | 35,000.00 | |
| 20 | February 15, 1989 | 35,000.00 | |
| 21 | April 15, 1989 | 35,000.00 | |
| 22 | July 15, 1989 | 35,000.00 | |
| 23 | Third Period | | \$175,000.00 |
| 24 | 4. October 15, 1989 | \$35,000.00 | |
| 25 | December 15, 1989 | 35,000.00 | |
| 26 | February 15, 1990 | 35,000.00 | |
| 27 | April 15, 1990 | 35,000.00 | |
| 28 | July 15, 1990 | 35,000.00 | |
| | Fourth Period | | \$175,000.00 |
| | 5. September 15, 1990 | \$40,000.00 | |
| | December 15, 1990 | 40,000.00 | |
| | March 15, 1991 | 40,000.00 | |
| | June 15, 1991 | 40,000.00 | |
| | September 15, 1991 | 40,000.00 | |
| | Fifth Period | | \$200,000.00 |

27 C. Two Hundred Thousand Dollars (\$200,000.00) of
28 said \$850,000.00 payment is to reimburse the California

1 Department of Health Services for its attorneys fees, costs
2 of investigation and other expenses; said Department shall be
3 entitled to one-quarter (1/4) of each payment received until
4 the full amount of its said reimbursement is received by it.

5 D. If defendant Herbalife is more than twenty-five
6 days late in making any scheduled payment the entire unpaid
7 balance shall be due and payable if thereafter and within
8 five days after Herbalife receives written notice of its
9 failure to make such scheduled payment it further fails to
10 make the same.

11 9. Defendant Mark Hughes is hereby ordered to post
12 security with plaintiffs in the amount of \$400,000.00, or in
13 the aggregate amount due to plaintiffs pursuant to Section
14 8, above, whichever amount is less, from time to time. In the
15 event defendant Herbalife defaults in any payment due pursuant
16 to Section 8, above, plaintiff may collect from said security
17 the amount due pursuant to this judgment, to a maximum amount
18 of \$400,000.00. In no event shall the amount paid by defendant
19 Herbalife and the amount collected by plaintiff from the
20 security posted by defendant Hughes, exceed the total amounts
21 to be paid pursuant to Section 8, above. Such security may
22 consist of cash, cash equivalents, personal or real property,
23 marketable securities, or appropriate sureties. If during
24 the course of the payments required to be made hereunder,
25 plaintiff and Mark Hughes agree to a substitution of security
26 designated above, such new security as agreed upon may be
27 substituted.
28

10. To insure compliance with the injunctive provisions

1 of this judgment, defendants shall give a full copy of or a
2 summary of the injunctive provisions of this judgment to each
3 officer and each director, who controls, manages, directs or
4 otherwise takes part in developing advertisements for defen-
5 dants' products or defendants' marketing plan. Defendants
6 shall report to plaintiffs on compliance with this Section
7 within thirty days after entry of judgment.

8 11. In the event that plaintiff or their counsel become
9 informed and believe that defendants are violating any pro-
10 vision of this judgement, prior to initiating any enforcement
11 action plaintiffs, through the office of the attorney general
12 to which payments hereunder are last made, shall give defen-
13 dants written notice by mail or otherwise of the nature of
14 the alleged violation and thirty days to undertake correction
15 thereof. If defendants fail to undertake and diligently
16 pursue appropriate corrective activities plaintiffs may then
17 institute such legal action as is appropriate under the law.
18 Provided, however, if plaintiffs determine, in their sole
19 discretion, that the best interest of the people of the State
20 of California require action plaintiffs may proceed with or
21 without first giving the notice and opportunity to correct
22 which is provided for herein.

23 12. A. Jurisdiction is retained for the purpose of
24 enabling any party to this final judgment to apply to the
25 court any time for such further orders and directions as may
26 be necessary or appropriate for the construction or carrying
27 out of this final judgment, for the modification of any of
28 the injunctive provisions hereof, for the enforcement or

1 compliance herewith, for relief herefrom, and for the punish-
2 ment of violations hereof.

3 B. The right to seek relief pursuant to this
4 Section 12 shall include the right to seek to have the injunc-
5 tive provisions of this judgment terminated as to either or
6 both defendants because, for example, the defendant's conduct
7 has for a sufficient period of time indicated that the public
8 interest does not require the continuation of this injunction.

9 C. (1) If any proceeding is initiated or sought to
10 be maintained by or against a defendant hereto pursuant to the
11 provision of this Section 12 or any other provision of this
12 judgment the venue therefor shall be determined in accordance
13 with generally applicable law for a period of one year after the
14 date of this judgment, after that period the venue therefor
15 shall be in the Superior Court of the County of Los Angeles
16 and, upon motion of any party or upon the Courts own motion the
17 venue shall be so transferred.

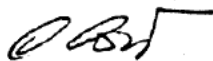
18 (2) A motion to change the venue of this action
19 to the Superior Court of the County of Los Angeles may be
20 made at any time.

21 13. Whenever, by the express terms of this judgment,
22 a notice shall or may be given to a party, such notice may be
23 given to the party's then current attorney of record or to
24 the party itself.

25 14. This final judgment shall take effect immediately
26 upon the entry thereof.

27 15. The Clerk is ordered to enter this final judgment
28 forthwith.

1 Dated: October 14, 1986

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4 JUDGE OF THE SUPERIOR COURT
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